Ramotshere Moiloa Local Municipality
Annual Financial Statements
for the year ended 30 June 2018

# General Information

| | |
|---|---|
| **Legal form of entity** | Municipality |
| **Mayor** | Cllr P.K Mothoagae |
| Speaker | Cllr T.R Moiloa |
| Executive Council | Cllr B Mooketsi (Technical Services) |
| | Cllr A.N Nyamane (LED and Planning) |
| | Cllr M.F Rajan (Corporate Services and Finance) |
| | Cllr P.K Mothoagae (Chairperson) |
| | Cllr B Pheloane |
| | Cllr M.N Tshikovhi |
| Councillors | Cllr K.I Manthoko |
| | Cllr B Kenosi |
| | Cllr S Rantwa |
| | Cllr B Monamodi |
| | Cllr D Moabi |
| | Cllr O Modirwa |
| | Cllr J Pule |
| | Cllr L Motsokwane |
| | Cllr U Morake |
| | Cllr R Mogorosi |
| | Cllr L Selebogo |
| | Cllr P Molefe |
| | Cllr N Molokwane |
| | Cllr P Madisa |
| | Cllr I Moloantoa |
| | Cllr L Mosadi |
| | Cllr J Mafora |
| | Cllr S Thembo |
| | Cllr T.J Morebantwa |
| | Cllr A.B Cassanga |
| | Cllr S.F Ngweye |
| | Cllr S.I Modibetsane |
| | Cllr C Dreyer |
| | Cllr I.S Suliman |
| | Cllr T.N Sapala |
| | Cllr M.N Motladile |
| | Cllr R.S.B Phetwe |
| | Cllr L Selebogo |
| | Cllr N.T Moroeng |
| | Cllr K Venter |
| | Cllr G.S Motswenyane |
| | Cllr T.B Sebolao |
| **Grading of local authority** | 3 |
| **Accounting Officer** | R.T Phakalane |
| **Chief Finance Officer** | R.A Morris |

## General Information

| | |
|---|---|
| **Business address** | C/o President & Coetzee Street<br>Zeerust<br>2865 |
| **Postal address** | P O Box 92<br>Zeerust<br>2865 |
| **Bankers** | First National Bank |
| **Auditors** | Auditor General South Africa |
| **Website** | www.ramotshere.gov.za |

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## Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adaquate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 5 to 62, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2018 and were signed on its behalf by:

**R.T Phakalane**
**Accounting Officer**

# Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2018.

## 1. Review of activities

**Main business and operations**

The municipality main business is the provision of services to the community in line with Part B of Schedule 4 and Part B of Schedule 5 of the Constitution. The municipality provides services in Zeerust, Lehurutse and Groot Marico.

Net surplus of the municipality is R 13,992,537 (2017: deficit R 39,562,956).

## 2. Going concern

The annual financial statements have been prepared on the going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

## 3. Subsequent events

There are no significant events subsequent to the reporting period.

## 4. Accounting policies

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act 2003 (Act N0. 56 of 2003) (MFMA) and the Division of Act South Africa (Act No 2 of 2013) (DoRA).

The annual financial statements are prepared in accordance with the Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

## 5. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

| Name | Nationality | Changes |
|---|---|---|
| M.I Matthews | South African | 13 July 2017 - 23 November 2017 |
| S.A Adroos | South African | 23 November 2017 - 02 April 2018 |
| R.T Phakalane | South African | 15 April 2018 - 30 June 2018 |
| B.G Selebogo | South African | 01 August 2018 to date |

# Accounting Officer's Report

## 6. Corporate governance

### General

The accounting officer is committed to business integrity, transparency and professionalism in all his activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

### Audit and risk committee

The Audit Committee has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Audit Committee, consisting of independent outside members, has met at least four times per annum as per its approved terms of reference, although additional special meetings were held.

The AC reviewed functionality of the performance management system and it appears to be functional, however there is a room for improvement in so far as achievement of planned targets is concerned and submission of portfolio of evidence timeously.

The AC is of the opinion that municipality's risk management appears to be ineffective for the better of the year and material respect, and the municipality did implement a comprehensive risk management strategy and related policies.

## 7. Auditors

Auditor General South Africa will continue in office for the next financial period.

# Statement of Financial Position as at 30 June 2018

| | Note(s) | 2018 R | 2017 Restated* R |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Inventories | 2 | 7,020,503 | 7,893,602 |
| Other financial assets | 3 | 2,325,089 | 2,111,750 |
| Receivables from exchange transactions | 4 | 698,072 | 670,313 |
| Receivables from non-exchange transactions | 5 | 11,542,020 | 6,765,865 |
| Consumer debtors | 6 | 58,247,095 | 44,832,650 |
| Cash and cash equivalents | 7 | 14,651,208 | 2,034,746 |
| | | **94,483,987** | **64,308,926** |
| **Non-Current Assets** | | | |
| Investment property | 8 | 53,836,358 | 54,972,872 |
| Property, plant and equipment | 9 | 581,584,006 | 578,223,324 |
| Intangible assets | 10 | 1,636,043 | 1,967,100 |
| Heritage assets | 11 | 404,550 | 404,550 |
| | | **637,460,957** | **635,567,846** |
| **Total Assets** | | **731,944,944** | **699,876,772** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Other financial liabilities | 12 | 2,981,233 | 1,566,890 |
| Finance lease obligation | 13 | 1,798,136 | 2,807,788 |
| Payables from exchange transactions | 14 | 105,449,999 | 97,112,278 |
| VAT payable | 15 | 1,229,377 | 1,461,039 |
| Consumer deposits | 16 | 1,994,904 | 1,859,033 |
| Employee benefit obligation | 17 | 1,017,714 | 1,008,000 |
| Unspent conditional grants and receipts | 18 | 3,412,376 | 2,203,504 |
| Provisions | 19 | - | 586,505 |
| | | **117,883,739** | **108,605,037** |
| **Non-Current Liabilities** | | | |
| Other financial liabilities | 12 | 2,956,391 | 3,718,455 |
| Employee benefit obligation | 17 | 37,213,000 | 42,118,000 |
| Provisions | 19 | 45,025,000 | 30,561,000 |
| | | **85,194,391** | **76,397,455** |
| **Total Liabilities** | | **203,078,130** | **185,002,492** |
| **Net Assets** | | **528,866,814** | **514,874,280** |
| Accumulated surplus | | 528,866,814 | 514,874,280 |

* See Note 51

## Statement of Financial Performance

| | Note(s) | 2018<br>R | 2017<br>Restated*<br>R |
|---|---|---|---|
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Service charges | 20 | 70,065,993 | 67,985,005 |
| Sale of land | | 169,650 | 67,760 |
| Rental of facilities and equipment | 21 | 141,745 | 305,459 |
| Licences and permits | | 1,100,121 | 2,778,840 |
| Miscellaneous other revenue | | 2,675,920 | 1,692,097 |
| Interest received - investment | 22 | 1,875,591 | 613,420 |
| Fair value adjustments | | - | 8,521 |
| **Total revenue from exchange transactions** | | **76,029,020** | **73,451,102** |
| **Revenue from non-exchange transactions** | | | |
| **Taxation revenue** | | | |
| Property rates | 23 | 34,942,215 | 40,473,071 |
| **Transfer revenue** | | | |
| Government grants & subsidies | 24 | 181,620,194 | 168,002,587 |
| Fines, Penalties and Forfeits | | 5,575,164 | 4,994,929 |
| **Total revenue from non-exchange transactions** | | **222,137,573** | **213,470,587** |
| **Total revenue** | 25 | **298,166,593** | **286,921,689** |
| **Expenditure** | | | |
| Bulk purchases | 26 | (45,244,172) | (42,860,444) |
| Contracted services | 27 | (9,359,401) | (6,872,066) |
| Debt Impairment | 28 | (7,445,962) | (36,052,610) |
| Depreciation and amortisation | 29 | (29,169,910) | (31,109,207) |
| Employee related costs | 30 | (106,894,854) | (123,792,688) |
| Finance costs | 31 | (10,001,226) | (7,334,313) |
| Lease rentals on operating lease | | (583,443) | (639,090) |
| Remuneration of councillors | 32 | (12,555,237) | (9,817,716) |
| Impairment loss/ Reversal of impairments | | - | (2,333,318) |
| Repairs and maintenance | | (3,325,017) | (6,275,635) |
| Loss on disposal of assets and liabilities | | (2,577,553) | (588,847) |
| General Expenses | 33 | (57,017,281) | (59,008,711) |
| **Total expenditure** | | **(284,174,056)** | **(326,484,645)** |
| **Surplus (deficit) for the year** | | **13,992,537** | **(39,562,956)** |

* See Note 51

## Statement of Changes in Net Assets

| | Accumulated surplus R | Total net assets R |
|---|---|---|
| **Balance at 01 July 2016** | **554,437,236** | **554,437,236** |
| Changes in net assets | | |
| Surplus for the year | (39,562,956) | (39,562,956) |
| Total changes | (39,562,956) | (39,562,956) |
| Opening balance as previously reported | 543,392,008 | 543,392,008 |
| Adjustments | | |
| Prior year adjustments | (28,517,731) | (28,517,731) |
| **Restated balance at 01 July 2017** | **514,874,277** | **514,874,277** |
| Changes in net assets | | |
| Surplus for the year | 13,992,537 | 13,992,537 |
| Total changes | 13,992,537 | 13,992,537 |
| **Balance at 30 June 2018** | **528,866,814** | **528,866,814** |

* See Note 51

# Cash Flow Statement

| | Note(s) | 2018 R | 2017 Restated* R |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Service charges & rates | | 84,147,801 | 76,946,647 |
| Grants | | 182,829,066 | 168,429,493 |
| Interest income | | 1,875,591 | 613,420 |
| Other receipts | | 4,887,522 | 5,648,401 |
| | | 273,739,980 | 251,637,961 |
| **Payments** | | | |
| Employee costs | | (134,860,920) | (131,676,802) |
| Suppliers | | (88,089,012) | (78,263,292) |
| Finance costs | | (5,286,226) | (3,348,313) |
| VAT payments | | - | (6,249,865) |
| | | (228,236,158) | (219,538,272) |
| **Net cash flows from operating activities** | 35 | **45,503,822** | **32,099,689** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 9 | (33,593,946) | (37,732,998) |
| Proceeds from sale of property, plant and equipment | 9 | - | 42,774 |
| Proceeds from sale of investment property | 8 | 1,052,631 | - |
| Purchase of other intangible assets | 10 | (124,543) | (1,258,943) |
| Net movements in financial assets | | - | 172 |
| **Net cash flows from investing activities** | | **(32,665,858)** | **(38,948,995)** |
| **Cash flows from financing activities** | | | |
| Repayment of long term liabilities | | 652,279 | (860,847) |
| Finance lease payments | | (1,009,652) | 2,807,788 |
| Consumer deposits | | 135,871 | 182,978 |
| **Net cash flows from financing activities** | | **(221,502)** | **2,129,919** |
| **Net increase/(decrease) in cash and cash equivalents** | | **12,616,462** | **(4,719,387)** |
| Cash and cash equivalents at the beginning of the year | | 2,034,746 | 6,754,133 |
| **Cash and cash equivalents at the end of the year** | 7 | **14,651,208** | **2,034,746** |

* See Note 51

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | |
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Service charges | 104,723,451 | (22,669,902) | **82,053,549** | 70,065,993 | **(11,987,556)** | 50.1 |
| Sale of land | - | - | **-** | 169,650 | **169,650** | 50.2 |
| Rental of facilities and equipment | 366,931 | (228,731) | **138,200** | 141,745 | **3,545** | |
| Licences and permits | 11,201,040 | - | **11,201,040** | 1,100,121 | **(10,100,919)** | 50.3 |
| Miscellaneous other revenue | 13,891,015 | (255,824) | **13,635,191** | 2,675,920 | **(10,959,271)** | 50.4 |
| Interest received - investment | 910,000 | - | **910,000** | 1,875,591 | **965,591** | 50.5 |
| **Total revenue from exchange transactions** | **131,092,437** | **(23,154,457)** | **107,937,980** | **76,029,020** | **(31,908,960)** | |
| **Revenue from non-exchange transactions** | | | | | | |
| **Taxation revenue** | | | | | | |
| Property rates | 44,069,375 | 2,455,598 | **46,524,973** | 34,942,215 | **(11,582,758)** | |
| **Transfer revenue** | | | | | | |
| Government grants & subsidies | 202,058,000 | (8,400,000) | **193,658,000** | 181,620,194 | **(12,037,806)** | 50.6 |
| Fines, Penalties and Forfeits | 601,500 | (1,500) | **600,000** | 5,575,164 | **4,975,164** | 50.7 |
| **Total revenue from non-exchange transactions** | **246,728,875** | **(5,945,902)** | **240,782,973** | **222,137,573** | **(18,645,400)** | |
| **Total revenue** | **377,821,312** | **(29,100,359)** | **348,720,953** | **298,166,593** | **(50,554,360)** | |
| **Expenditure** | | | | | | |
| Employee Related Costs | (120,699,293) | (602,337) | **(121,301,630)** | (106,894,854) | **14,406,778** | 50.8 |
| Remuneration of councillors | (13,724,507) | (1,182,479) | **(14,906,986)** | (12,555,237) | **2,351,749** | |
| Depreciation and amortisation | (30,000,000) | 1,325,025 | **(28,674,975)** | (29,169,910) | **(494,935)** | |
| Finance costs | (580,000) | 130,000 | **(450,000)** | (10,001,226) | **(9,551,226)** | 50.9 |
| Debt impairment | (22,500,000) | 2,500,000 | **(20,000,000)** | (7,445,962) | **12,554,038** | 50.10 |
| Bulk purchases | (40,800,000) | (100,000) | **(40,900,000)** | (45,244,172) | **(4,344,172)** | 50.11 |
| Contracted Services | (6,500,000) | (9,849,996) | **(16,349,996)** | (9,359,401) | **6,990,595** | 50.12 |
| Transfers and Subsidies | (1,091,000) | 1,091,000 | **-** | - | **-** | |
| Other materials | (12,202,960) | 3,773,256 | **(8,429,704)** | - | **8,429,704** | |
| Sale of goods/Inventory | - | - | **-** | - | **-** | |
| General Expenses | (63,536,700) | 21,535,094 | **(42,001,606)** | (60,925,741) | **(18,924,135)** | 50.13 |
| **Total expenditure** | **(311,634,460)** | **18,619,563** | **(293,014,897)** | **(281,596,503)** | **11,418,394** | |
| **Operating surplus** | **66,186,852** | **(10,480,796)** | **55,706,056** | **16,570,090** | **(39,135,966)** | |
| Loss on disposal of assets and liabilities | - | - | **-** | (2,577,553) | **(2,577,553)** | 50.14 |
| **Surplus before taxation** | **66,186,852** | **(10,480,796)** | **55,706,056** | **13,992,537** | **(41,713,519)** | |
| **Surplus/(Deficit)** | **66,186,852** | **(10,480,796)** | **55,706,056** | **13,992,537** | **(41,713,519)** | |

## Statement of Budget and Actual Amounts

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | R | R | R | R | R | R | R | R | R | R | R |
| **2018** | | | | | | | | | | | |
| **Financial Performance** | | | | | | | | | | | |
| Property rates | 44,069,375 | 2,455,598 | 46,524,973 | - | | 46,524,973 | 34,942,215 | | (11,582,758) | 75 % | 79 % |
| Service charges | 104,723,451 | (22,669,902) | 82,053,549 | - | | 82,053,549 | 70,065,993 | | (11,987,556) | 85 % | 67 % |
| Investment revenue | 910,000 | - | 910,000 | - | | 910,000 | 1,875,591 | | 965,591 | 206 % | 206 % |
| Transfers recognised - operational | 142,025,000 | - | 142,025,000 | - | | 142,025,000 | 142,307,000 | | 282,000 | 100 % | 100 % |
| Other own revenue | 26,060,486 | (486,055) | 25,574,431 | - | | 25,574,431 | 9,662,600 | | (15,911,831) | 38 % | 37 % |
| **Total revenue (excluding capital transfers and contributions)** | **317,788,312** | **(20,700,359)** | **297,087,953** | - | | **297,087,953** | **258,853,399** | | **(38,234,554)** | **87 %** | **81 %** |
| Employee costs | (120,699,293) | (602,337) | (121,301,630) | - | - | (121,301,630) | (106,894,854) | - | 14,406,776 | 88 % | 89 % |
| Remuneration of councillors | (13,724,507) | (1,182,479) | (14,906,986) | - | - | (14,906,986) | (12,555,237) | - | 2,351,749 | 84 % | 91 % |
| Debt impairment | (22,500,000) | 2,500,000 | (20,000,000) | | | (20,000,000) | (7,445,962) | - | 12,554,038 | 37 % | 33 % |
| Depreciation and asset impairment | (30,000,000) | 1,325,025 | (28,674,975) | | | (28,674,975) | (29,169,910) | - | (494,935) | 102 % | 97 % |
| Finance charges | (580,000) | 130,000 | (450,000) | - | - | (450,000) | (10,001,226) | - | (9,551,226) | 2,222 % | 1,724 % |
| Materials and bulk purchases | (53,002,962) | 3,673,256 | (49,329,706) | - | - | (49,329,706) | (45,244,172) | - | 4,085,534 | 92 % | 85 % |
| Transfers and grants | (1,091,000) | 1,091,000 | - | - | - | - | - | - | - | DIV/0 % | - % |
| Other expenditure | (70,036,698) | 11,685,098 | (58,351,600) | - | - | (58,351,600) | (72,862,695) | - | (14,511,095) | 125 % | 104 % |
| **Total expenditure** | **(311,634,460)** | **18,619,563** | **(293,014,897)** | - | - | **(293,014,897)** | **(284,174,056)** | - | **8,840,841** | **97 %** | **91 %** |
| **Surplus/(Deficit)** | **6,153,852** | **(2,080,796)** | **4,073,056** | - | | **4,073,056** | **(25,320,657)** | | **(29,393,713)** | **(622)%** | **(411)%** |

## Appropriation Statement

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | R | R | R | R | R | R | R | R | R | R | R |
| Transfers recognised - capital | 60,033,000 | (8,400,000) | 51,633,000 | | - | 51,633,000 | 39,313,194 | | (12,319,806) | 76 % | 65 % |
| **Surplus (Deficit) after capital transfers and contributions** | **66,186,852** | **(10,480,796)** | **55,706,056** | | **-** | **55,706,056** | **13,992,537** | | **(41,713,519)** | **25 %** | **21 %** |
| **Surplus/(Deficit) for the year** | **66,186,852** | **(10,480,796)** | **55,706,056** | | **-** | **55,706,056** | **13,992,537** | | **(41,713,519)** | **25 %** | **21 %** |
| **Capital expenditure and funds sources** | | | | | | | | | | | |
| Total capital expenditure | - | - | - | | - | - | 126,727 | | 126,727 | DIV/0 % | DIV/0 % |

# Accounting Policies

## 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

### 1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revisions affects only that period of the revision and future periods if the revision affects both the current and future periods. The nature and reasons of the uncertainty, judgement made and the impact to the amounts presented in the financial statements are disclosad in the notes to the annual financial statements. Significant judgements include:

**Trade receivables**

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

**Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

# Accounting Policies

### 1.2 Significant judgements and sources of estimation uncertainty (continued)

**Useful lives and residual values of assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The municipality reviews residual values of assets to determine if there is a change in the amount that the municipality would obtain from disposal of the asset, after deducting the estimated costs of disposal, if that asset was already of the age and condition expected at the end of its useful life.

**Post retirement benefits**

The present value of the post employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

### 1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operetions.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associeted with the investment property will flow to the municipality, end the cost or feir value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service e property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

**Cost model**

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

| Item | Useful life |
|---|---|
| Property - land | indefinite |
| Property - buildings | 30 years |

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

# Accounting Policies

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

| Item | Depreciation method | Average useful life |
|---|---|---|
| Land | Straight line | Indefinite |
| Buildings | Straight line | 20 - 100 years |
| Plant and machinery | Straight line | 3 - 10 years |
| Furniture and fixtures | Straight line | 3 - 10 years |
| Motor vehicles | Straight line | 5 - 10 years |
| Office equipment | Straight line | 3 - 10 years |
| Computer equipment | Straight line | 3 - 10 years |
| Infrastructure | Straight line | 20 - 100 years |
| Community | Straight line | 20 - 100 years |
| Other property, plant and equipment | Straight line | 3 - 10 years |
| Roads & stormwater assets | Straight line | 20 - 100 years |
| Electricity assets | Straight line | 20 - 100 years |
| Other assets | Straight line | 3 - 10 years |

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an esset on an annual basis does not require the municipality to emend the previous estimate unless expectations differ from the previous estimate unless expectations differ from previous estimates.

Each part of an item of property, plent and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of enother asset.

Items of property, plant and equipment are derecognised when the esset is disposed of or when there ere no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of en item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### 1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

# Accounting Policies

### 1.6 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Depreciation method | Average useful life |
|---|---|---|
| Computer software | Straight line | 3 years |

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

### 1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

### 1.7 Heritage assets (continued)

**Recognition**

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

**Initial measurement**

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

**Subsequent measurement**

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

**Impairment**

The municipality assesses at each reporting date whether there is an indication that the asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

**Derecognition**

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritege asset is included in surplus or deficit when the item is derecognised.

**Transitional provision**

The municipality changed its accounting policy for heritage assets in 2018. The change in eccounting policy is made in accordance with its transitional provision as per Directive 2 of the GRAP Reporting Framework.

### 1.8 Interest in joint ventures

An interest in a joint venture is carried in accordance with the Standard of GRAP on Financial Instruments.

The municipality applies the same accounting for each category of investment.

Surpluses and deficits resulting from contributions or sale of assets to joint ventures are only recognised to the extent of other venturers' interests in the joint venture.

The municipality's share of surpluses or deficits, resulting from purchase of assets from joint ventures are recognised only when the assets are resold to an independent party.

In respect of its interest in jointly controlled assets, the municipality recognises in its annual financial statements:

- its share of the jointly controlled assets, classified according to the nature of the assets;
- any liabilities that it has incurred;
- its share of any liabilities incurred jointly with the other venturers in relation to the joint venture;
- any revenue from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture; and
- any expenses that it has incurred in respect of its interest in the joint venture.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

# Accounting Policies

### 1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

**Classification**

The municipality has the following types of financial assets and liabilities as reflected on the face of the statement of financial position or in the notes thereto:
- Financial instruments at amortised cost;
- Financial instruments cost; and
- Financial instruments at fair value.

**Initial recognition**

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

**Initial measurement of financial assets and financial liabilities**

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**Subsequent measurement of financial assets and financial liabilities**

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

**Cash and cash equivalents**

These are initially and subsequently recorded at fair value. For cash flow purposes, cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. These are subject to an insignificant risk of changes in value.

# Accounting Policies

### 1.9 Financial instruments (continued)

**Impairment and uncollectibility of financial assets**

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Impairment loss is recognised against an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed against an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured et cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured et fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial esset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial esset. Such impairment losses ere not reversed.

**Presentation**

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

## Accounting Policies

### 1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

**Finance leases - lessee**

The municipality leases certain property, plant and equipment. Leases of property, plant and equipment where the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance lease assets and liabilities are recognised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the future minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the Statement of Financial Performance over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. The municipality will not incur a finance lease liability other than that allowed by the MFMA Act (Act 56 of 2003).

Any contingent rents are expensed in the period in which they are incurred.

**Operating leases - lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

**Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

## Accounting Policies

### 1.11 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Unsold properties are measured at the lower of cost and net realisable value. Cost is primarily determined by reference to the valuation roll or total cost of servicing the land such as direct costs and portion of overhead costs that relates to the development.

### 1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense. Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

**Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

# Accounting Policies

### 1.13 Impairment of non-cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

**Designation**

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit es cesh-generating. The designation is mede on the basis of e municipality's objective of using the asset.

The municipelity designates an esset or a cash-generating unit as cash-genereting when:
- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that ere expected to be significantly higher then the cost of the asset.

The municipality designates en asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets.

**Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

# Accounting Policies

### 1.15 Employee benefits

**Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

**Defined contribution plans**

The municipality and its employees contribute to various pension, provident and retirement funds and its councillors contribute to the Pension Fund for Municipal Councillors. The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed by the relevant funds ona regular basis as per the requirements of the various funds. Current contributions are recognised in surplus or deficit in the period in which the service is rendered by the relevant employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

**Defined benefit plans**

The municipality provides certain post retirement medical benefits by funding the medical aid contributions for retired members of the municipality. According to the rules of the medical aid fund associated with the municipality, when a member who joined the municipality under the current conditions of service retires, she/he is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. These funds are classified as defined benefit plans. The cost of providing the benefits is determined using the projected unit credit method prescibed by IAS 19. Future benefit values are projected using specific assumptions, and the liability for in service members is accrued over the expected lifetime. No plan assets exist and any actuarial gains or losses are recognised immediately.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Current service costs and interest costs are recognised as a period expense in the statement of financial performance and is matched to the benefit received during the working life of the employee. The curret service costs include the expense for the benefits received by the employee currently in service and the cost of funding the employee when no longer in service. The expense for the year is included in the employee benefit expense in the statement of financial performance.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

# Accounting Policies

### 1.15 Employee benefits (continued)

**Other long term employee benefits**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality.

The municipality's net obligation in respect of long service awards is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value.

### 1.16 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liebility.

Provisions ere reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable thet an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

Illegal dumping: The municipality has an obligation to rehabilitate any contaminated land through illegal dumping. A provision has been established and recognised at the present value of the expenditure expected to settle the obligation and is carried at amortised cost.

Landfill sites: The municipality has an obligation to rehabilitate its landfill sites in terms of its licensing stipulations. A provision has been established from 2008/9. The amount of the provision is recognised at the present value of the expenditure expected to settle the obligation and is carried at amortised cost.

### 1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

**Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

# Accounting Policies

### 1.17 Revenue from exchange transactions (continued)

**Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimated consumptions are made monthly when meters have not been read. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

Income from agency services: Income from agency services is recognised on a monthly basis once the income collected/received on behalf of agents has been quantified. The income is recognised in terms of the agency agreement.

**Interest, royalties and dividends**

Revenue arising from the use by others of municipal assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

# Accounting Policies

### 1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

# Accounting Policies

### 1.18 Revenue from non-exchange transactions (continued)

**Government grants and subsidies**

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available, which in most cases is on receipt.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

### 1.19 Value Added Tax

The municipality accounts for Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate of 14% in terms of section 7(1)(a) of the VAT Act in respect of supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

### 1.20 Prepaid electricity

Revenue from the sale of electricity using pre-paid meter cards is recognised based on consumption.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

### 1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.22 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.23 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

Where accounting errors have been identified in the current financial year, the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

# Accounting Policies

### 1.24 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.25 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

### 1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

# Accounting Policies

### 1.27 Related parties (continued)

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

### 1.28 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.29 Budget information

Variances between budget and actual are regarded as material when there is a variance of:

- 10% in the statement of financial position, statement of financial performance and the cash flow statement.
- 5% in capital expenditure.

### 1.30 Services in kind

The municipality does not recognise services in kind as revenue or assets, but are disclosed as a note to the annual financial statements.

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|

## 2. Inventories

| | | |
|---|---|---|
| Consumable stores | 7,020,503 | 7,893,602 |

## 3. Other financial assets

| | | |
|---|---|---|
| **Designated at fair value** | | |
| Listed Fund -Sanlam | 2,325,089 | 2,111,750 |
| **Current assets** | | |
| Designated at fair value | 2,325,089 | 2,111,750 |

## 4. Receivables from exchange transactions

| | | |
|---|---|---|
| Third party vendors | 698,072 | 670,313 |

**Third party vendors**

The municipality introduced a new system in the prior year whereby customers can purchase electricity through third party vendors, the money from the customers is received by Conlog whom in turn pay over to the municipality.

## 5. Receivables from non-exchange transactions

| | | |
|---|---|---|
| Fines | 5,330,109 | 555,031 |
| Levies | 44,721 | 44,721 |
| Sundry debtors | 2,053,591 | 2,052,514 |
| Sale of land debtors | 4,113,599 | 4,113,599 |
| | **11,542,020** | **6,765,865** |

## 6. Consumer debtors

| | | |
|---|---|---|
| **Gross balances** | | |
| Rates | 46,493,937 | 50,554,777 |
| Electricity | 36,869,919 | 30,077,785 |
| Water and sanitation | 85,089,309 | 69,414,253 |
| Refuse and other | 13,326,190 | 10,872,133 |
| | **181,779,355** | **160,918,948** |
| **Less: Allowance for impairment** | | |
| Rates | (31,595,896) | (31,884,079) |
| Electricity | (25,055,700) | (18,194,639) |
| Water and sanitation | (57,824,163) | (58,651,677) |
| Refuse and other | (9,056,501) | (7,355,903) |
| | **(123,532,260)** | **(116,086,298)** |
| **Net balance** | | |
| Rates | 14,898,041 | 18,670,698 |
| Electricity | 11,814,219 | 11,883,146 |
| Water and sanitation | 27,265,146 | 10,762,576 |
| Refuse and other | 4,269,689 | 3,516,230 |
| | **58,247,095** | **44,832,650** |

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|
| **6. Consumer debtors (continued)** | | |
| **Rates** | | |
| Current (0 -30 days) | 537,812 | 571,075 |
| 31 - 60 days | 445,283 | 472,823 |
| 61 - 90 days | 384,579 | 408,365 |
| 91 - 120 days | 367,321 | 390,040 |
| 121 - 365 days | 347,212 | 368,687 |
| > 365 days | 13,190,196 | 14,006,003 |
| | **15,272,403** | **16,216,993** |
| **Electricity** | | |
| Current (0 -30 days) | 426,488 | 452,866 |
| 31 - 60 days | 353,111 | 374,951 |
| 61 - 90 days | 304,973 | 323,835 |
| 91 - 120 days | 291,288 | 309,304 |
| 121 - 365 days | 275,341 | 292,371 |
| > 365 days | 10,459,889 | 11,106,828 |
| | **12,111,090** | **12,860,155** |
| **Water and Sanitation** | | |
| Current (0 -30 days) | 154,158 | 1,045,134 |
| 31 - 60 days | 814,919 | 865,321 |
| 61 - 90 days | 703,824 | 747,355 |
| 91 - 120 days | 672,242 | 713,820 |
| 121 - 365 days | 635,439 | 674,740 |
| > 365 days | 24,139,590 | 25,632,612 |
| | **27,120,172** | **29,678,982** |
| **Refuse and other** | | |
| Current (0 -30 days) | 154,158 | 163,693 |
| 31 - 60 days | 127,638 | 135,532 |
| 61 - 90 days | 110,238 | 117,056 |
| 91 - 120 days | 105,291 | 111,803 |
| 121 - 365 days | 99,525 | 105,682 |
| > 365 days | 3,780,911 | 4,014,759 |
| | **4,377,761** | **4,648,525** |
| **Reconciliation of allowance for impairment** | | |
| Balance at beginning of the year | (116,086,297) | (116,086,297) |
| Contributions to allowance | (7,445,963) | - |
| | **(123,532,260)** | **(116,086,297)** |
| **7. Cash and cash equivalents** | | |
| Cash and cash equivalents consist of: | | |
| Cash on hand | 225,922 | 375,672 |
| Bank balances | 2,956,769 | 1,188,548 |
| Short-term deposits | 11,468,517 | 470,526 |
| | **14,651,208** | **2,034,746** |

| | 2018<br>R | 2017<br>R |
|---|---|---|

### 7. Cash and cash equivalents (continued)

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|---|---|---|---|---|---|---|
| | 30 June 2018 | 30 June 2017 | 30 June 2016 | 30 June 2018 | 30 June 2017 | 30 June 2016 |
| FNB - cheque account 62063144431 | 2,554,343 | 844,744 | 1,711,983 | 2,554,343 | 844,744 | 1,711,983 |
| FNB - cheque account 54351140693 | 232,508 | 56,452 | 373,795 | 232,508 | 56,452 | 373,795 |
| FNB - cheque account 62200495960 | 8,667 | 90,443 | 154,020 | 8,668 | 90,443 | 154,020 |
| FNB - cheque account 62224998023 | 161,251 | 196,909 | 1,994,519 | 161,251 | 196,909 | 1,994,519 |
| **Total** | **2,956,769** | **1,188,548** | **4,234,317** | **2,956,770** | **1,188,548** | **4,234,317** |

### 8. Investment property

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Investment property | 56,253,235 | (2,416,877) | 53,836,358 | 57,211,685 | (2,238,813) | 54,972,872 |

**Reconciliation of investment property - 2018**

| | Opening balance | Disposals | Depreciation | Total |
|---|---|---|---|---|
| Investment property | 54,972,872 | (1,052,631) | (83,882) | 53,836,359 |

**Reconciliation of investment property - 2017**

| | Opening balance | Disposals | Depreciation | Total |
|---|---|---|---|---|
| Investment property | 55,333,529 | (276,775) | (83,882) | 54,972,872 |

The municipality entered into a joint arrangement with ABSA Bank for the construction of a building for leasing purposes. The terms of the arrangement were as follows:

- The municipality contributed a piece of land, which was valued at R700,000 whilst ABSA contributed R6 300 000 for the construction of building.
- The municipality's contribution was deemed to be worth 10% and ABSA 90%.
- On completion of the building, ABSA occupied the building and leased additional rental space.
- Building operating costs are deducted from the rental income.
- ABSA is responsible for management of the building and in return compensated with 5% of rental income plus a management fee which will be agreed between the parties.
- The residue is shared in terms of the venturers' contribution.

In terms of GRAP 8 (Interest in Joint Ventures), the municipality's component/share of the building was recognised as Investment property. The nature of this jointly controlled asset is investment property as it is leased to tenants and the municipality earns rentals from it.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|

## 9. Property, plant and equipment

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated depreciation and accumulated impairment | Carrying value | Cost | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 17,356,150 | - | 17,356,150 | 17,356,150 | - | 17,356,150 |
| Buildings | 66,086,644 | (47,392,339) | 18,694,305 | 67,555,049 | (45,376,011) | 22,179,038 |
| Plant and machinery | 900,155 | (795,477) | 104,678 | 881,555 | (686,405) | 195,150 |
| Furniture and fixtures | 475,809 | (404,065) | 71,744 | 475,779 | (340,990) | 134,789 |
| Motor vehicles | 12,652,072 | (10,315,452) | 2,336,620 | 12,652,677 | (8,482,991) | 4,169,686 |
| Office equipment | 669,080 | (253,340) | 415,740 | 334,941 | (208,407) | 126,534 |
| Computer equipment | 4,860,221 | (1,665,258) | 3,194,963 | 2,219,058 | (865,863) | 1,353,195 |
| Community | 110,165,491 | (65,533,012) | 44,632,479 | 109,740,491 | (61,547,341) | 48,193,150 |
| Servitudes/road reserves | 13,011,798 | - | 13,011,798 | 13,011,798 | - | 13,011,798 |
| Work in progress | 59,654,471 | 426,256 | 60,080,727 | 43,199,721 | 442,040 | 43,641,761 |
| Landfill site | 12,488,000 | (2,840,921) | 9,647,079 | 12,488,000 | (2,840,921) | 9,647,079 |
| Roads & stormwater assets | 635,161,008 | (267,692,569) | 367,468,439 | 625,016,998 | (253,818,484) | 371,198,514 |
| Electricity assets | 71,881,283 | (30,735,613) | 41,145,670 | 71,881,283 | (28,986,279) | 42,895,004 |
| Wastewater network | 2,184 | - | 2,184 | 2,184 | - | 2,184 |
| Finance leased assets | 2,823,539 | (411,766) | 2,411,773 | 2,823,539 | (411,766) | 2,411,773 |
| Other assets | 5,311,861 | (4,302,204) | 1,009,657 | 5,311,861 | (3,604,342) | 1,707,519 |
| **Total** | **1,013,499,766** | **(431,915,760)** | **581,584,006** | **984,951,084** | **(406,727,760)** | **578,223,324** |

9. **Property, plant and equipment (continued)**

**Reconciliation of property, plant and equipment - 2018**

| | Opening balance | Additions | Disposals | Transfers received | Transfers | Other changes, movements | Depreciation | Total |
|---|---|---|---|---|---|---|---|---|
| Land | 17,356,150 | - | - | - | - | - | - | 17,356,150 |
| Buildings | 22,179,038 | - | (557,994) | - | - | - | (2,926,739) | 18,694,305 |
| Plant and machinery | 195,150 | 18,600 | - | - | - | - | (109,072) | 104,678 |
| Furniture and fixtures | 134,789 | - | - | - | - | - | (63,045) | 71,744 |
| Motor vehicles | 4,169,686 | - | - | - | - | - | (1,833,066) | 2,336,620 |
| Office equipment | 126,534 | 334,625 | - | - | - | - | (45,419) | 415,740 |
| Computer equipment | 1,353,195 | 2,641,163 | - | - | - | - | (799,395) | 3,194,983 |
| Community | 48,193,151 | 425,000 | - | - | - | - | (3,985,672) | 44,632,479 |
| Servitudes/road reserve | 13,011,798 | - | - | - | - | - | - | 13,011,798 |
| Work in progress | 43,641,761 | 32,575,021 | - | - | (19,250,239) | 3,114,184 | - | 60,080,727 |
| Landfill site | 9,647,079 | - | - | - | - | - | - | 9,647,079 |
| Roads & stormwater assets | 371,198,514 | - | (2,019,559) | 14,740,519 | - | - | (16,451,035) | 367,468,439 |
| Electricity assets | 42,895,004 | - | - | - | - | - | (1,749,334) | 41,145,670 |
| Wastewater network | 2,184 | - | - | - | - | - | - | 2,184 |
| Finance leased assets | 2,411,773 | - | - | - | - | - | - | 2,411,773 |
| Other assets | 1,723,304 | - | - | - | - | - | (713,647) | 1,009,657 |
| | **578,239,110** | **35,994,409** | **(2,577,553)** | **14,740,519** | **(19,250,239)** | **3,114,184** | **(28,676,424)** | **581,584,006** |

## 9. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - 2017**

| | Opening balance | Additions | Disposals | Transfers | Other movements | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|
| Land | 17,356,150 | - | - | - | - | - | - | 17,356,150 |
| Buildings | 28,112,347 | - | - | - | - | (3,602,058) | (2,331,251) | 22,179,038 |
| Plant and machinery | 260,043 | - | - | - | - | (64,893) | - | 195,150 |
| Furniture and fixtures | 181,840 | - | - | - | - | (47,051) | - | 134,789 |
| Motor vehicles | 5,694,261 | - | (17,055) | - | - | (1,507,520) | - | 4,169,686 |
| Office equipment | 162,771 | 22,060 | - | - | - | (58,297) | - | 126,534 |
| Computer equipment | 1,008,178 | 683,855 | (7,409) | - | - | (331,429) | - | 1,353,195 |
| Community | 51,949,862 | - | - | 528,500 | - | (4,285,211) | - | 48,193,151 |
| Servitudes/road reserve | 13,011,798 | - | - | - | - | - | - | 13,011,798 |
| Work in progress | 24,769,796 | 34,103,589 | - | (15,231,624) | - | - | - | 43,641,781 |
| Landfill site | 9,647,079 | - | - | - | - | - | - | 9,647,079 |
| Roads & stormwater assets | 372,005,946 | - | (2,278,816) | 14,703,124 | 4,084,720 | (17,316,480) | - | 371,198,514 |
| Electricity assets | 44,795,371 | - | (1,900,367) | - | - | - | - | 42,895,004 |
| Wastewater network | 2,184 | - | - | - | - | - | - | 2,184 |
| Finance leased assets | - | 2,411,773 | - | - | - | - | - | 2,411,773 |
| Other assets | 1,724,925 | - | - | - | - | (1,621) | - | 1,723,304 |
| | **570,682,551** | **37,221,277** | **(4,203,647)** | **-** | **4,084,720** | **(27,214,540)** | **(2,331,251)** | **578,239,110** |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|

## 10. Intangible assets

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated amortisation and accumulated impairment | Carrying value | Cost | Accumulated amortisation and accumulated impairment | Carrying value |
| Computer software | 2,091,643 | (455,600) | 1,636,043 | 1,967,100 | - | 1,967,100 |

**Reconciliation of intangible assets - 2018**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 1,967,100 | 124,543 | (455,600) | 1,636,043 |

**Reconciliation of intangible assets - 2017**

| | Opening balance | Additions | Total |
|---|---|---|---|
| Computer software | 144,700 | 1,822,400 | 1,967,100 |

## 11. Heritage assets

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Cost | Accumulated impairment losses | Carrying value | Cost | Accumulated impairment losses | Carrying value |
| Other | 404,550 | - | 404,550 | 404,550 | - | 404,550 |

**Reconciliation of heritage assets 2018**

| | Opening balance | Total |
|---|---|---|
| Other | 404,550 | 404,550 |

**Reconciliation of heritage assets 2017**

| | Opening balance | Total |
|---|---|---|
| Other | 404,550 | 404,550 |

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|
| **12. Long-term liabilities** | | |
| **At amortised cost** | | |
| DBSA Loan 100121/3 | 901,992 | 901,992 |
| The loan has a fixed interest rate of 15.15% per annum and is repayable in 30 equal half-yearly instalments. The loan period is 15 years and redemption date is 30 June 2019. | | |
| DBSA Loan 102400/1 | 1,187,822 | 1,949,886 |
| The loan has fixed interest rate of 5% per annum and is repayable in 40 equal instalments. The loan period is 20 years expiring in 30 September 2028. | | |
| DBSA Loan 100702/1 | 866,577 | 866,577 |
| The loan has a fixed interest rate of 11.73% per annum and is repayable in 40 equal half-yearly instalments. The loan period is 20 years and redemption date is 30 June 2026. | | |
| Short term portion of long term loans | 2,981,233 | 1,566,890 |
| | **5,937,624** | **5,285,345** |
| **Total other financial liabilities** | **5,937,624** | **5,285,345** |
| **Non-current liabilities** | | |
| At amortised cost | 2,956,391 | 3,718,455 |
| **Current liabilities** | | |
| At amortised cost | 2,981,233 | 1,566,890 |
| **13. Finance lease obligation** | | |
| **Minimum lease payments due** | | |
| - within one year | 1,226,606 | 1,250,891 |
| - in second to fifth year inclusive | 812,737 | 1,954,518 |
| | 2,039,343 | 3,205,409 |
| less: future finance charges | (241,208) | (397,621) |
| **Present value of minimum lease payments** | **1,798,135** | **2,807,788** |
| **Present value of minimum lease payments due** | | |
| - within one year | 1,118,143 | 1,009,652 |
| - in second to fifth year inclusive | 679,992 | 1,798,136 |
| | **1,798,135** | **2,807,788** |
| **14. Payables from exchange transactions** | | |
| Trade payables | 67,374,036 | 51,361,233 |
| Payments received in advance | 501,709 | 501,708 |
| Accrued leave pay | 1,558,403 | 11,477,727 |
| 13th cheque | 6,019,442 | 3,000,790 |
| Payable clearing | 72,202 | 81,437 |
| Other payables | 7,436,322 | 6,741,601 |
| Retentions | 4,974,777 | 5,105,684 |
| Consumer debtors unknown | 7,463,057 | 3,493,698 |
| Debtors with credit balances | 10,050,051 | 15,348,400 |
| | **105,449,999** | **97,112,278** |

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|

## 15. VAT payable

| | | |
|---|---|---|
| Net balance | 1,229,377 | 1,461,039 |

The municipality is registered for VAT on a payments basis.

## 16. Consumer deposits

| | | |
|---|---|---|
| Electricity | 1,339,716 | 1,268,359 |
| Water | 655,188 | 590,674 |
| | **1,994,904** | **1,859,033** |

## 17. Employee benefit obligations

**Defined contribution plan**

The municipality has a policy to subsidise post-employment health care costs of employees that belonged to medical scheme on their retirement. The subsidy covers the employee as well as the spouse or dependent.

**The amounts recognised in the statement of financial position are as follows:**

| | | |
|---|---|---|
| **Carrying value** | | |
| Present value of the defined benefit obligation-wholly unfunded | 38,230,714 | 43,126,000 |
| Non-current liabilities | 37,213,000 | 42,118,000 |
| Current liabilities | 1,017,714 | 1,008,000 |
| | **38,230,714** | **43,126,000** |

The municipality has no further obligation to cover unfunded benefits.

**Net expense recognised in the statement of financial performance**

| | | |
|---|---|---|
| Current service cost | 2,821,000 | 2,882,000 |
| Interest cost | 4,715,000 | 3,986,000 |
| Actuarial (gains) losses | (11,551,700) | (3,092,000) |
| Settlement | (889,300) | (744,000) |
| | **(4,905,000)** | **2,832,000** |

**Valuation method**

The Projected Unit Credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

**Post-employment Medical Aid Liabilities**

The expected value of each employee and their spouse's future medical aid subsidies is projected by allowing for future medical inflation. The calculated values are then discounted at the assumed discount interest rate to the present date of valuation (calculation). We also allowed for mortality, retirements and withdrawals from service as set out below. The accrued liability is determined on the basis that each employee's medical aid benefit accrues uniformly over the working life of an employee up until retirement. Further it is assumed that the current policy for awarding medical aid subsidies remains unchanged in the future. We assumed that 100% of all active members on medical aid will remain on medical aid once they retire. We also assumed that all active members will remain on the same medical aid option at retirement.

**Valuation of Assets**

As at the valuation date, the medical aid liability of the Municipality was unfunded, i.e. no dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation.

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|

## 18. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

| **Unspent conditional grants and receipts** | | |
|---|---|---|
| Library Grant | 500,000 | 500,000 |
| LGSETA | 437,855 | 297,578 |
| INEP | - | 567,970 |
| Local Government | 837,956 | 837,956 |
| Municipal Infrastructure Grant | 1,636,565 | - |
| | **3,412,376** | **2,203,504** |

See note 24 for reconciliation of grants from National/Provincial Government.

## 19. Provisions

**Reconciliation of provisions - 2018**

| | Opening Balance | Additions | Reversed during the year | Total |
|---|---|---|---|---|
| Environmental rehabilitation | 24,250,000 | 13,667,000 | - | 37,917,000 |
| Performance bonus | 586,505 | - | (586,505) | - |
| Long service award | 6,311,000 | 797,000 | - | 7,108,000 |
| | **31,147,505** | **14,464,000** | **(586,505)** | **45,025,000** |

**Reconciliation of provisions - 2017**

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Environmental rehabilitation | 13,790,000 | 11,448,000 | (988,000) | 24,250,000 |
| Performance bonus | 480,846 | 309,885 | (204,226) | 586,505 |
| Long service award | 5,942,000 | 1,278,000 | (909,000) | 6,311,000 |
| | **20,212,846** | **13,035,885** | **(2,101,226)** | **31,147,505** |

| | | |
|---|---|---|
| Non-current liabilities | 45,025,000 | 30,561,000 |
| Current liabilities | - | 586,505 |
| | **45,025,000** | **31,147,505** |

| | 2018<br>R | 2017<br>R |
|---|---|---|

**19. Provisions (continued)**

**Environmental rehabilitation provision**

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act, 28 of 2002). The provision was determined by an independent expert as at 30 June 2018 and approximates the discounted expected future cash flows using reasonable estimation techniques.

During the current year, licences for the illegal dumpsites were obtained. The current liability raised as a provision has therefore been moved to non-current as the municipality will rehabilitate the sites when the landfill sites are full.

**Long service award**

In addition to normal leave an employee shall qualify for the following additional leave as recognition for service at the same employer, which shall be paid out respectively once only the date on which the various periods of continues service have been completed, as follows:

- After 10 years service - 10 working days
- After 15 years service - 20 working days
- After 20 years service - 30 working days
- After 25 years service - 30 working days
- After 30 years service - 30 working days
- After 35 years service - 30 working days
- After 40 years service - 30 working days
- After 45 years service - 30 working days

An employee may choose to either utilise the leave for holiday purposes or en-cash leave within 12 months.

The two most important financial variables used in our valuation are the discount rate and salary inflation. An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events.

**Discount rate**

IAS19 defines the determination of the Discount rate assumption to be used as the rate that can "be determined by reference to market yields at the balance sheet* date on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the balance sheet* date) on government bonds should be used. The currency and term of the corporate bonds or government bonds should be consistent with the currency and estimated term of the post-employment benefit obligations."reimbursement.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

**Performance bonus**

Bonuses are awarded to section 56/57 managers based on the achievement of predetermined performance standards. The bonuses are calculated based on a percentage of the total package. The bonuses were approved by the Council and paid out for the previous financial years. The provision is an estimate of the amount due to the section 56/57 managers. There were no performance bonuses paid in the current year.

**20. Service charges**

| | | |
|---|---|---|
| Sale of electricity | 51,745,208 | 51,738,832 |
| Sale of water | 8,881,669 | 7,328,865 |
| Sewerage and sanitation charges | 2,401,329 | 2,192,002 |
| Refuse removal | 7,037,787 | 6,725,306 |
| | **70,065,993** | **67,985,005** |

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|

## 21. Rental of facilities and equipment

| | | |
|---|---|---|
| **Premises** | | |
| Rental of facilities and equipment | 141,745 | 305,459 |

## 22. Investment revenue

| | | |
|---|---|---|
| **Interest revenue** | | |
| Bank | 1,875,591 | 613,420 |

## 23. Property rates

| | | |
|---|---|---|
| **Rates received** | | |
| Residential | 11,020,056 | 9,216,403 |
| Commercial | 9,191,901 | 10,002,819 |
| State | 518,304 | 1,661,418 |
| Agriculture | 14,211,954 | 19,592,431 |
| | **34,942,215** | **40,473,071** |

Property rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2014. Interim valuations are processed on a continuous basis to take into account changes in individuel property values due to alterations and subdivisions. Interim valuations ere processed on a continuous basis to take into account changes in individual property velues due to alterations and subdivisions.

A general rate is applied as follows to property valuations to determine property rates:

- Residential properties: 0.01600 c/R (2017: 0.01500 c/R)
- Business/Industrial properties: 0.03200 c/R (2017: 0.03000 c/R)
- State owned properties: 0.0040 c/R (2017: 0.00375 c/R)
- Agricultural properties: 0.0040 c/R (2017: 0.00375 c/R)
- Public service insfrastructure properties: 0.0040 c/R (2017: 0.00375 c/R)
- Groot Marico: 0.016 c/R (2017: 0.00375 c/R)

**Rebates:**

- Agricultural properties: 65% on application (2017:65%)
- Agricultural properties - Special category: 10% on application (2017:10%)
- Public service infrastructure : 30% (2017:30%)

**Retired and disabled persons on residential properties:**

- Owner with income less than R5 000 per month(excluding indigents) -50% (2017:50%)
- Owner with income less than between R5 001 and R10 000 per month:40% (2017:40%)

**Reductions:**

Municipal Property Rates Act 2004 - first R15 000 on market value of residential and agricultural is exempted.

A 10% discount on full settlement of rates before 30 September each year for residential, business and industrial.

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|
| **24. Government grants and subsidies** | | |
| **Operating grants** | | |
| Equitable share | 137,071,000 | 126,139,000 |
| Library Grant | - | 1,000,000 |
| Financial Management Grant | 2,145,000 | 1,810,000 |
| LG Seta | - | 618,915 |
| EPWP Grant | 1,091,000 | 1,104,000 |
| Water supply grant | 2,000,000 | - |
| | **142,307,000** | **130,671,915** |
| **Capital grants** | | |
| MIG | 32,145,224 | 35,460,000 |
| INEP | 7,167,970 | 1,432,030 |
| Local Government Grant | - | 438,642 |
| | **39,313,194** | **37,330,672** |
| | **181,620,194** | **168,002,587** |

**Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

**Municipal Infrastructure Grant (MIG)**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | - |
| Current-year receipts | 36,704,000 | 35,460,000 |
| Conditions met - transferred to revenue | (32,145,224) | (35,460,000) |
| Other | (2,922,212) | - |
| | **1,636,564** | **-** |

Conditions still to be met - remain liabilities (see note 18).

**Financial Management Grant**

| | | |
|---|---|---|
| Current-year receipts | 2,145,000 | 1,810,000 |
| Conditions met - transferred to revenue | (2,145,000) | (1,810,000) |
| | - | - |

Conditions still to be met - remain liabilities (see note 18).

**Library Grant**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 500,000 | 500,000 |
| Current-year receipts | - | 1,000,000 |
| Conditions met - transferred to revenue | - | (1,000,000) |
| | **500,000** | **500,000** |

Conditions still to be met - remain liabilities (see note 18).

**EPWP**

| | | |
|---|---|---|
| Current-year receipts | 1,091,000 | 1,104,000 |
| Conditions met - transferred to revenue | (1,091,000) | (1,104,000) |
| | - | - |

| | 2018<br>R | 2017<br>R |
|---|---|---|

### 24. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 18).

**LGSETA**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 297,578 | - |
| Current-year receipts | 140,277 | 916,493 |
| Conditions met - transferred to revenue | - | (618,915) |
| | **437,855** | **297,578** |

Conditions still to be met - remain liabilities (see note 18).

**INEP**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 567,970 | - |
| Current-year receipts | 6,600,000 | 2,000,000 |
| Conditions met - transferred to revenue | (7,167,970) | (1,432,030) |
| | **-** | **567,970** |

Conditions still to be met - remain liabilities (see note 18).

**Local Government**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 837,956 | - |
| Current-year receipts | - | 1,276,598 |
| Conditions met - transferred to revenue | - | (438,642) |
| | **837,956** | **837,956** |

Conditions still to be met - remain liabilities (see note 18).

**Water Supply Grant**

| | | |
|---|---|---|
| Current-year receipts | 2,000,000 | - |
| Conditions met - transferred to revenue | (2,000,000) | - |
| | **-** | **-** |

Conditions still to be met - remain liabilities (see note 18).

### 25. Revenue

| | | |
|---|---|---|
| Sale of land | 169,650 | 67,760 |
| Service charges | 70,065,993 | 67,985,005 |
| Rental of facilities and equipment | 141,745 | 305,459 |
| Licences and permits | 1,100,121 | 2,778,840 |
| Miscellaneous other revenue | 2,675,920 | 1,692,097 |
| Interest received - investment | 1,875,591 | 613,420 |
| Property rates | 34,942,215 | 40,473,071 |
| Government grants & subsidies | 181,620,194 | 168,002,587 |
| Fines, penalties and forfeits | 5,575,164 | 4,994,929 |
| | **298,166,593** | **286,913,168** |

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|
| **25. Revenue (continued)** | | |
| **The amount included in revenue arising from exchanges of goods or services are as follows:** | | |
| Service charges | 70,065,993 | 67,985,005 |
| Rendering of services | 169,650 | 67,760 |
| Rental of facilities and equipment | 141,745 | 305,459 |
| Licences and permits | 1,100,121 | 2,778,840 |
| Miscellaneous other revenue | 2,675,920 | 1,692,097 |
| Interest received - investment | 1,875,591 | 613,420 |
| | **76,029,020** | **73,442,581** |
| **The amount included in revenue arising from non-exchange transactions is as follows:** | | |
| **Taxation revenue** | | |
| Property rates | 34,942,215 | 40,473,071 |
| **Transfer revenue** | | |
| Government grants & subsidies | 181,620,194 | 168,002,587 |
| Fines, penalties and forfeits | 5,575,164 | 4,994,929 |
| | **222,137,573** | **213,470,587** |
| **26. Bulk purchases** | | |
| Electricity | 45,244,172 | 42,860,444 |
| **27. Contracted services** | | |
| Lift maintenance | 26,045 | 14,188 |
| IT support services | 964,940 | 376,283 |
| Security services | 8,368,416 | 6,481,595 |
| **28. Debt impairment** | | |
| Contributions to debt impairment provision | 7,445,962 | 36,052,610 |
| **29. Depreciation and amortisation** | | |
| Property, plant and equipment | 28,630,427 | 31,025,324 |
| Investment property | 83,883 | 83,883 |
| Intangible assets | 455,600 | - |
| | **29,169,910** | **31,109,207** |

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|

## 30. Employee related costs

| | | |
|---|---|---|
| Basic | 74,736,343 | 73,315,285 |
| 13th Cheque | 8,995,156 | 5,467,226 |
| Medical aid - company contributions | 4,222,802 | 8,335,192 |
| UIF | 598,126 | 615,627 |
| SDL | 1,092,246 | 955,152 |
| (Decrease) / Increase in leave pay provision charge | (9,919,324) | 2,984,575 |
| Pension fund contributions | 14,980,002 | 14,103,997 |
| Travel, motor car, accommodation, subsistence and other allowances | 4,223,344 | 4,547,947 |
| Overtime payments | 7,695,370 | 7,472,289 |
| Long-service awards | 1,252,526 | 821,629 |
| Acting allowances | 482,086 | 2,089,774 |
| Entertainment allowance | 33,527 | 216,974 |
| Housing benefits and allowances | 863,333 | 769,550 |
| (Decrease) / Increase in performance bonus provision | (309,886) | 309,886 |
| Cellphone allowance | 305,785 | 318,205 |
| Bargaining council | 34,026 | 33,032 |
| Leave payout | 921,221 | 872,661 |
| Standby allowance | 1,869,790 | 1,246,713 |
| (Decrease) / Increase in bonus provision | (276,619) | 469,569 |
| Post retirement medical benefit | (4,905,000) | (1,154,000) |
| Termination benefits | - | 1,405 |
| | **106,894,854** | **123,792,688** |

**Remuneration of Director Technical Services**

| | | |
|---|---|---|
| Annual remuneration | 1,083,599 | 983,058 |
| Performance bonuses | - | 204,227 |
| Contributions to UIF, Medical and Pension Funds | 1,636 | 1,785 |
| SDL & Bargaining Council | 11,091 | 12,145 |
| Cellphone allowance | 16,500 | 18,000 |
| | **1,112,826** | **1,219,215** |

**Remuneration of Director Community Services**

| | | |
|---|---|---|
| Annual remuneration | 575,328 | 743,058 |
| Car allowance | 200,000 | 240,000 |
| Contributions to UIF, Medical and Pension Funds | 1,636 | 1,917 |
| Cellphone allowance | 15,000 | 18,000 |
| SDL & Bargaining council | 8,998 | 9,624 |
| Termination leave payout | 141,420 | - |
| | **942,382** | **1,012,599** |

**Remuneration of Director Local Economic Development**

| | | |
|---|---|---|
| Annual remuneration | 57,533 | 914,250 |
| Car allowance | 20,000 | 240,000 |
| Contributions to UIF, Medical and Pension Funds | - | 1,785 |
| Cellphone allowance | 1,500 | 18,000 |
| SDL & Bargaining council | - | 9,972 |
| | **79,033** | **1,184,007** |

| | 2018<br>R | 2017<br>R |
|---|---|---|

### 30. Employee related costs (continued)

**Remuneration of Chief Audit Executive**

| | | |
|---|---|---|
| Annual remuneration | 810,394 | 863,058 |
| Car allowance | 120,000 | 120,000 |
| Contributions to UIF, Medical and Pension Funds | 1,785 | 1,785 |
| SDL & Barganing council | 9,343 | 9,863 |
| Cellphone allowance | 18,000 | 18,000 |
| | **959,522** | **1,012,706** |

**Remuneration of Municipal Manager**

| | | |
|---|---|---|
| Annual remuneration | 837,796 | 1,065,915 |
| Car allowance | 81,141 | 42,283 |
| Annual bonus | 2,752 | - |
| Contributions to UIF, Medical and Pension Funds | 39,544 | 70,807 |
| Cellphone allowance | 9,650 | 3,300 |
| SDL & Bargaining council | 1,868 | 11,082 |
| Termination leave paid out | 117,084 | - |
| Backpay | 15,884 | - |
| Acting allowance | 29,256 | - |
| Housing allowance | 42,390 | - |
| | **1,177,365** | **1,193,387** |

Mr MI Matthews was appointed as acting Municipal Manager on the 13th of July 2017 and his contract expired on 23 November 2017. Mr SA Adroos was then appointed as Municipal Manager on 23 November 2017 and resigned on 02 April 2018. Mr Phakalane was appointed as the acting Municipal Manager on 15 April 2018.

**Chief Finance Officer**

| | | |
|---|---|---|
| Annual remuneration | 635,764 | 546,252 |
| Car allowance | 40,000 | 45,000 |
| Contributions to UIF, Medical and Pension Funds | - | 70,483 |
| SDL & Bargaining council | - | 5,730 |
| Cellphone allowance | 12,504 | 3,300 |
| Housing allowance | 80,000 | - |
| | **768,268** | **670,765** |

Mr Morris was appointed on 23 October 2017 as the Chief Financial Officer.

**Acting Director Technical Services**

| | | |
|---|---|---|
| Annual remuneration | - | 514,517 |
| Car allowance | - | 45,000 |
| Contributions to UIF, Medical and Pension Funds | - | 87,212 |
| Cellphone allowance | - | 3,300 |
| SDL & Bargaining council | - | 5,670 |
| | **-** | **655,699** |

The acting Director Technical Services was appointed in March 2016 after the Director was suspended. The Director Technical Services was reinstated in July 2016. However the Acting Director remained in office and received remuneration.

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|

## 30. Employee related costs (continued)

**Director Corporate Services**

| | | |
|---|---|---|
| Annual remuneration | 611,536 | 491,762 |
| Car allowance | 145,990 | 45,000 |
| Contributions to UIF, Medical and Pension Funds | - | 56,614 |
| Cellphone allowance | 13,500 | 3,300 |
| SDL & Bargaining council | - | 5,046 |
| Housing allowance | 20,000 | - |
| | **791,026** | **601,722** |

**Remuneration of Executive Manager**

| | | |
|---|---|---|
| Annual remuneration | 258,006 | 445,086 |
| Travel allowance | 37,500 | 180,000 |
| Performance bonuses | - | 9,000 |
| Contributions to UIF, Medical and Pension Funds, SDL & Bargaining council | - | 8,545 |
| Performance bonus | - | 115,665 |
| Housing allowance | 3,983 | - |
| Cellphone allowance | 2,750 | - |
| | **302,239** | **758,296** |

**Remuneration of Acting Municipal Manager**

| | | |
|---|---|---|
| Annual remuneration | - | 490,209 |
| Travel allowance | - | 41,460 |
| Contributions to UIF, Medical and Pension Funds, SDL & Bargaining council | - | 46,899 |
| Cellphone allowance | - | 3,040 |
| | **-** | **581,608** |

## 31. Finance costs

| | | |
|---|---|---|
| Other interest | 3,089,720 | 2,643,039 |
| Trade and other payables | 2,196,506 | 705,274 |
| Post retirement interest cost | 4,715,000 | 3,986,000 |
| | **10,001,226** | **7,334,313** |

## 32. Remuneration of councillors

| | | |
|---|---|---|
| Mayor | 847,560 | 775,174 |
| Speaker | 687,017 | 617,852 |
| Councillors | 11,020,660 | 8,224,690 |
| | **12,555,237** | **9,617,716** |

**In-kind benefits**

The Mayor and Speaker are full time. Each is provided with an office and secretarial administration support at the cost of the Council. The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.The Mayor has one full-time bodyguard.

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|

## 33. General expenses

| | | |
|---|---|---|
| Advertising | 211,621 | 138,134 |
| Auditors remuneration | 230,350 | 3,547,464 |
| Bank charges | 865,070 | 1,072,378 |
| Billing charges | 257,544 | 228,573 |
| Chemicals | 21,687 | 18,600 |
| Community development and training | 208,900 | 964,414 |
| Conferences and seminars | 46,350 | 127,444 |
| Consulting and professional fees | 14,347,648 | 11,274,033 |
| Consumables | 299,733 | 286,483 |
| Discount allowed | 4,662,886 | 521,624 |
| Electricity | 978,307 | 1,347,089 |
| Employee awareness | - | 29,934 |
| Extended public works program | 7,467,153 | 6,266,800 |
| Fuel and oil | 1,918,803 | 1,618,069 |
| Funeral costs | 3,350 | 9,300 |
| Hire | 214,812 | 70,100 |
| IT expenses | 193,604 | 67,410 |
| Indingent subsidy | 2,250,150 | 2,249,845 |
| Insurance | 364,839 | 703,981 |
| Inventory adjustment | - | 146,418 |
| Landfill site provision | 13,667,000 | 10,460,000 |
| Motor vehicle expenses | 163,365 | 171,722 |
| Other expenses | 53,399 | 1,007,542 |
| Postage and courier | 258,198 | 259,579 |
| Printing and stationery | 712,496 | 1,744,114 |
| Refuse | 52,069 | 88,687 |
| Right of use - Water | - | 74,086 |
| Sitting allowance | 2,784,159 | 2,409,536 |
| Software expenses | 395,053 | 345,048 |
| Staff welfare | 196,963 | 111,972 |
| Store and materials | 316,119 | 575,623 |
| Subscriptions and membership fees | 1,221,296 | 1,074,136 |
| Telephone and fax | 1,527,851 | 821,499 |
| Training | 34,400 | 7,729,928 |
| Travel - local | 1,092,106 | 1,447,147 |
| | **57,017,281** | **59,008,710** |

## 34. Fair value adjustments

| | | |
|---|---|---|
| Other financial assets | | |
| • Listed Funds | - | 8,521 |

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|
| **35. Cash generated from operations** | | |
| Surplus (deficit) | 13,992,537 | (39,562,956) |
| **Adjustments for:** | | |
| Depreciation and amortisation | 29,169,910 | 31,109,207 |
| Gain on sale of assets and liabilities | 2,577,553 | 588,847 |
| Fair value adjustments | - | (8,521) |
| Impairment deficit | - | 2,333,318 |
| Debt impairment | 7,445,962 | 36,052,610 |
| Movements in retirement benefit assets and liabilities | (4,895,286) | 2,832,000 |
| Movements in provisions | 13,877,495 | 10,934,659 |
| Inventory adjustment | - | 146,418 |
| Miscellaneous revenue (non cash) | (1,188,054) | - |
| **Changes in working capital:** | | |
| Inventories | 873,099 | (1,092,570) |
| Receivables from exchange transactions | (27,759) | 225,634 |
| Consumer debtors | (20,860,408) | (31,511,430) |
| Other receivables from non-exchange transactions | (4,776,155) | (4,416,323) |
| Payables from exchange transactions | 8,337,718 | 30,291,755 |
| VAT | (231,662) | (6,249,865) |
| Unspent conditional grants and receipts | 1,208,872 | 426,906 |
| | **45,503,822** | **32,099,689** |
| **36. Auditors' remuneration** | | |
| Fees | 230,350 | 3,547,464 |
| **37. Commitments** | | |
| **Authorised capital expenditure** | | |
| **Already contracted for but not provided for** | | |
| • Property, plant and equipment | 20,408,078 | 30,361,051 |
| **Total capital commitments** | | |
| Already contracted for but not provided for | 20,408,078 | 30,361,051 |

This committed expenditure relates to projects and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

| | 2018<br>R | 2017<br>R |
|---|---|---|

### 38. Contingencies

#### 38.1 Court Proceedings:

Municipality is being sued for some of the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities is uncertain. The amounts disclosed below are possible outflows amounts:

| | | |
|---|---|---|
| **Litigation and claims** | | |
| Malicious prosecution between Ramotshere Moiloa Local Municipality versus Martinus Venter | 225,000 | 225,000 |
| Labour case between Ramotshere Moiloa Local Municipality and NJ Motang | 80,151 | 80,151 |
| Review application between Ramotshere Moiloa Local Municipality and T Motlhamme | 100,000 | 100,000 |
| Accident damage of property by the employee of the council between Ramotshere Moiloa Local Municipality and C Lubbe | 85,000 | 85,000 |
| Court application between Ramotshere Moiloa Local Municipality and J Venter | 300,000 | 300,000 |
| Court matter between Ramotshere Moila Local Municipality and Raphunga | 247,861 | 247,861 |
| Alleged eviction of municipal employee-Martha Mareme by Ramotshere Moiloa Local Municipality and the eviction led to a loss of assets | 200,000 | 200,000 |
| Labour court review application between Ramotshere Moiloa Local Municipality IMATU obo JH Engelbrecht | 400,000 | 110,000 |
| Labour court application between Ramotshere Moiloa Local Municipality and P Williams | 50,000 | 50,000 |
| Disciplinary proceedings between Ramotshere Moiloa Local Municipality and S Sithole | 50,000 | 50,000 |
| Court matter between Ramotshere Moiloa Local Municipality and G Makaukau | 350,000 | - |
| Labour court application between Ramotshere Moiloa Local Municipality and JJ Cromhout | 700,000 | - |
| Disciplinary proceedsings betwen Ramotshere Moiloa Local Municipality and S Mangope | 500,000 | - |
| | **3,288,012** | **1,448,012** |

### 39. Risk management

#### Financial risk management

Council has overall responsibility for the establishment and oversight of the entity's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The municipality's Finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the municipality through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Budget and Treasury Office monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Risk management policies and systems are reviewed regularly to reflect changes to market conditions and the municipality's activities, and compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

| | 2018<br>R | 2017<br>R |
|---|---|---|

### 39. Risk management (continued)

**Liquidity risk**

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation.

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

### 40. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 41. Unauthorised expenditure

| | | |
|---|---|---|
| Opening balance | 130,520,575 | 128,481,935 |
| Adjustments | 23,268,307 | 2,038,640 |
| | **153,788,882** | **130,520,575** |

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|

## 42. Fruitless and wasteful expenditure

| | | |
|---|---|---|
| Opening balance | 8,766,373 | 4,530,260 |
| Current year | 5,986,204 | 4,236,113 |
| | **14,752,577** | **8,766,373** |

Fruitless and wasteful expenditure has been reported to Council and the matter is still under investigation by Sec 32 Committee. The information required per MFMA s125(2)(d)(i)-(iii) is not available.

The expenditure is caused by interest charged on overdue accounts of Eskom, Telkom and Auditor General South Africa.

A detailed breakdown of the fruitless and wasteful expenditure is disclosed in detail as below:

| | | |
|---|---|---|
| Auditor General - interest on overdue accounts | 11,764 | 125,533 |
| Eskom Bulk - Interest on overdue accounts | 2,591,439 | 1,703,533 |
| Eskom Other - Interest on overdue accounts | - | 83,065 |
| Eskom Waterworks - Interest on overdue accounts | 96,278 | 210,858 |
| Modibetsane DG - Acting allowance paid | - | 198,111 |
| SARS - Penalties and interest | 1,987,399 | 506,248 |
| Telkom South Africa - Interest on overdue accounts | 72,278 | 13,802 |
| Sebogodi GN - Salary paid while employee was on special leave | - | 539,864 |
| TMT Tiro - Salary paid while employee was on special leave | 855,308 | 855,299 |
| R.T Phakalane - Acting allowance paid | 29,256 | - |
| Pension penalties | 339,396 | - |
| VAT penalties | 3,088 | - |
| | **5,986,204** | **4,236,113** |

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|
| **43. Irregular expenditure** | | |
| Opening balance | 140,616,963 | 109,153,603 |
| Add: Irregular Expenditure - current year | 12,521,328 | 31,463,360 |
| | **153,138,291** | **140,616,963** |
| **Analysis of irregular expenditure - current year** | | |
| Tenders/quotations not advertised | 7,390,928 | 2,375,695 |
| Tenders with missing information | - | 45,808 |
| SCM procedures not followed | 924,811 | 545,174 |
| Three qoutes not obtained | - | 143,033 |
| Deviation form not filled | 423,750 | - |
| Irregular appointments | - | 472,917 |
| Expired contracts | 14,636 | 8,851,902 |
| Evaluation criteria was not consistent | 3,205,818 | 5,474,688 |
| Orders created after | - | 19,500 |
| Different recommendation | - | 5,571,460 |
| Not registered on CSD | 34,000 | - |
| Committee composition | - | 2,703,554 |
| Points for the BBBEE were incorrectly awarded | 527,385 | 3,212,284 |
| No concurrance from MEC | - | 759,000 |
| MPAC Administrator irregulary appointed | - | 484,083 |
| MPAC Manager was appointed irregulary | - | 373,116 |
| MPAC Researcher was appointed irregulary | - | 252,153 |
| Employees that have passed retired on payroll | - | 178,993 |
| | **12,521,328** | **31,463,360** |
| **44. Additional disclosure in terms of Municipal Finance Management Act** | | |
| **44.1. Contributions to organised local government** | | |
| Current year subscription / fee | 1,181,890 | 1,049,070 |
| Amount paid - current year | (1,181,890) | (1,049,070) |
| | - | - |
| **44.2. Audit fees** | | |
| Opening balance | 1,565,836 | 2,172,021 |
| Current year subscription / fee | 230,350 | 3,547,464 |
| Amount paid - current year | (844,868) | (4,153,649) |
| Adjustments | (364,961) | - |
| | **586,357** | **1,565,836** |
| **44.3. PAYE, SDL and UIF** | | |
| Opening balance | 2,931,634 | 1,307,921 |
| Current year subscription / fee | 17,570,225 | 18,635,942 |
| Amount paid - current year | (20,342,960) | (17,012,229) |
| | **158,899** | **2,931,634** |

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|

## 44. Additional disclosure in terms of Municipal Finance Management Act (continued)

### 44.4. Pension and Medical Aid Deductions

| | | |
|---|---|---|
| Opening balance | 2,930,777 | 1,581,616 |
| Current year subscription / fee | 23,250,919 | 34,585,962 |
| Amount paid - current year | (21,333,575) | (33,236,801) |
| | **4,848,121** | **2,930,777** |

### 44.5. VAT

| | | |
|---|---|---|
| VAT payable | 1,229,377 | 1,461,039 |

All VAT returns have been submitted by the due date throughout the year.

### 44.6. Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding as at 30 June 2018:

| 30 June 2018 | Outstanding less than 90 days<br>R | Outstanding more than 90 days<br>R | Total<br>R |
|---|---|---|---|
| Cllr Moloantoa | - | 4,084 | 4,084 |
| Cllr Rajan | - | 376,085 | 376,085 |
| Cllr Motladiile LK | - | 743 | 743 |
| | **-** | **380,912** | **380,912** |

| 30 June 2017 | Outstanding less than 90 days<br>R | Outstanding more than 90 days<br>R | Total<br>R |
|---|---|---|---|
| Cllr Dreyer | - | 225 | 225 |
| Cllr Mediro | - | 3,048 | 3,048 |
| Cllr Kadi | - | 7,633 | 7,633 |
| Cllr Modibetsane | - | 225 | 225 |
| Cllr Mokotong | - | 225 | 225 |
| Cllr Nare | - | 6,018 | 6,018 |
| Cllr Moloantoa | - | 4,775 | 4,775 |
| Cllr Rajan | - | 241,633 | 241,633 |
| Cllr Phetwe | - | 5,757 | 5,757 |
| | **-** | **269,539** | **269,539** |

## 45. Service in kind

During the current year, the municipality received assistance from the North West Provincial Government - Treasury. This took the form of appointment of the Acting Chief Financial Officer, who assisted the municipality with the administrative roles performed by the Chief Financial Officer.

# Notes to the Annual Financial Statements

| | 2018<br>R | 2017<br>R |
|---|---|---|

## 46. Distribution Losses

| | | |
|---|---|---|
| **Electricity distribution losses** | | |
| Killo Watts per Hour | 12,176,215 | 11,530,507 |
| Total loss (Rand) | 11,446,915 | 10,839,200 |

The main reason for incurring electricity losses relates to heat dissipation when electricity flows through the conductors, illegal connections, meter tampering and incorrect metering. Cost per KWH R0.8341 (2017: R0.8341).

## 47. New standards and interpretations

### 47.1 Standards and interpretations effective and adopted in the current year

In the current year, there were no new standards and interpretations that are effective for the current financial year and that are relevant to the municipality's operations.

### 47.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2018 or later periods:

| Standard/ Interpretation: | Effective date: Years beginning on or after | Expected impact: |
|---|---|---|
| • GRAP 8 (as revised 2010): Interests in Joint Ventures | 01 April 2019 | Unlikely there will be e materiel impact |
| • GRAP 20: Related parties | 01 April 2019 | Unlikely there will be a material impact |
| • GRAP 16 (as amended 2016): Investment Property | 01 April 2018 | Unlikely there will be a material impact |
| • GRAP 17 (as amended 2016): Property, Plant and Equipment | 01 April 2018 | Unlikely there will be a meterial impact |
| • GRAP 21 (as amended 2016): Impairment of non-cash-generating assets | 01 April 2018 | Unlikely there will be a material impact |
| • GRAP 26 (as amended 2016): Impairment of cash-generating assets | 01 April 2018 | Unlikely there will be a material impact |

| | 2018<br>R | 2017<br>R |
|---|---|---|

### 48. Related parties

Key management and councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

**Related party balances**

| **Amounts included in Trade receivable (Trade Payable) regarding related parties** | | |
|---|---|---|
| Dreyer R | 34,189 | 2,082 |
| Mothoagae P | 311 | - |
| Moloantoa ITKC | 5,757 | 21,281 |
| Rajan MF 2000541 | 72,452 | 42,669 |
| Rajan MF 30030024 | 7,050 | 16,019 |
| Rajan MF 20013231 | 255,961 | 191,620 |
| Motladiile I | 1,314 | (17) |
| Sapala TN | 736 | 2,462 |
| Phetwe K | 346 | 6,800 |
| Seabi OPHBV | - | 27 |
| | **378,116** | **282,943** |

**Related party transactions**

| **Rates levied** | | |
|---|---|---|
| Dreyer R | - | 3,900 |
| Mothoagae P | 2,160 | 1,875 |
| Moloantoa ITKC | 1,600 | 1,350 |
| Rajan MF | - | 8,875 |
| Rajan MF 2000541 | - | 4,485 |
| Rajan MF 30030024 | - | 1 |
| Rajan MF 20013231 | - | 41,417 |
| Motladiile I | - | 435 |
| Sapala TN | 2,800 | 2,475 |
| Phetwe K | 2,560 | 2,250 |
| Seabi OPHBV | - | 5,040 |
| Malema | 7,120 | - |
| Birkenstork | 6,480 | - |
| | | |
| **Service charges** | | |
| Dreyer R | - | 8,162 |
| Mothoagae P | 1,837 | 1,690 |
| Moloantoa ITKC | 6,231 | 4,788 |
| Rajan MF | - | 6,446 |
| Rajan MF 2000541 | - | 11,830 |
| Rajan MF 30030024 | - | 1,304 |
| Rajan MF 20013231 | - | 40,579 |
| Motladiile I | - | 1,690 |
| Sapala TN | 7,292 | 3,887 |
| Phetwe K | 1,841 | 1,690 |
| Seabi OPHBV | - | 5,497 |
| Malema | 4,720 | - |
| Birkenstork | 9,189 | - |

| | 2018<br>R | 2017<br>R |
|---|---|---|

### 49. Change in estimate

**Property, plant and equipment**

During the year the municipality have performed condition assessments of assets that reach a zero remaining useful life. The effect of the change in remaining life of assets is decreased depreciation in the current year of R3,338,265.

Subsequently future depreciation will increase with the value of R 3,338,265 spread over an average of 5.02 future years.

Details of the effect of change in estimate is as follows:

| | Value of depreciation charged less in the current financial year | Average years remaining for assets depreciation |
|---|---|---|
| Buildings | 276,075 | 3.33 |
| Community facilities | 182,519 | 4.61 |
| Roads Network Infrastructure | 2,533,996 | 3.30 |
| Storm water infrastructure | 111,050 | 8.04 |
| Electrical network infrastructure | 234,625 | 5.81 |
| | **3,338,265** | **5.02** |

| | 2018<br>R | 2017<br>R |
|---|---|---|

## 50. Budget differences

**Material differences between budget and actual amounts**

50.1 The actual licences and permits income was less than the budgeted amount. This is mainly due to the testing station being set alighty during the service protests.

50.2 The actual miscellaneous revenue was less than the budgeted amount. This is due to income being less than anticipated.

50.3 The budgeted interest income was less than the actual interest income. This is due to more funds that were invested and more interest was received compared to the previous year. In addition, equitable share and other conditional grants were invested as soon as they were received.

50.4 Actual government grants were less than the budgeted amount. This is due to the National Treasury withholding R8,3 million because of slow spending on MIG.

50.5 Actual fines income is more than the budgeted amount. This is due to more traffic fine income being generated than previously anticipated.

50.6 The budgeted employee related costs are more than the actual amount. This is due to the vacancies of Municipal Manager, Director: Planning and Development, Director: Technical, Chief Financial Officer and Director: Corporate Services being filled in October 2018.

50.7 Actual financial costs incurred ere more than the budgeted amount. This is mainly due to the interest cost relating to the valuation of post retirement medical obligation, as well as interest charges from the DBSA loans. In addition, interest on outstanding debt was charged by Eskom and Telkom as the municipality had cash flow challenges .

50.8 The budgeted debt impairment is greater than the actual debt impairment. This is due to the impairment being recognised in the previous financial year for most of the consumer debtors. Refer to note 51 - Prior year edjustments.

50.9 The budgeted bulk purchases are less than the actual amount. This is due to the amount being incorrectly budgeted for, as insufficient information was provided during the budgeting process.

50.10 Actual contracted services costs are less than the budgeted amount. This is due to cash flow challenges that procluded the timeous conclusion of contracts for the 2018 financial year.

50.11 Actual general expenses are more than the budgeted amount. This is mostly due to the imputed expenses such as the landfill site provision that were incurred during the year.

50.12 The loss on scrapping and disposal of assets was not budgeted for.

| | 2018<br>R | 2017<br>R |
|---|---|---|

### 51. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

**Statement of financial position**

**2017**

| | Note | As previously reported | Correction of error | Restated |
|---|---|---|---|---|
| Consumer debtors | | 63,404,654 | (18,572,004) | 44,832,650 |
| Provisions | | (19,113,000) | (11,448,000) | (30,561,000) |
| Property, plant and equipment | | 578,543,451 | (1,168,911) | 577,374,540 |
| Intangible assets | | 144,700 | 1,822,400 | 1,967,100 |
| Increase in roads and stormwater | | - | 4,084,720 | 4,084,720 |
| Decrease in work in progress | | - | (3,235,936) | (3,235,936) |
| **Effect on accumulated surplus** | | **622,979,805** | **(28,517,731)** | **594,462,074** |

**Statement of financial performance**

**2017**

| | Note | As previously reported | Correction of error | Restated |
|---|---|---|---|---|
| Increase in property rates | | 28,117,171 | 12,625,900 | 40,743,071 |
| Decrease in consulting and professional fees | | 4,854,706 | 1,258,944 | 6,113,650 |
| Increase in depreciation costs | | 49,195,939 | (605,543) | 48,590,396 |
| Increase in debt impairment | | - | (31,197,816) | (31,197,816) |
| Increase in landfill site provision | | - | (11,448,000) | (11,448,000) |
| **Effect on profit or loss** | | **82,167,816** | **(29,366,515)** | **52,801,301** |

**Errors**

The following prior period errors adjustments occurred:

**Consumer debtors and provision for doubtful debts**

In the previous year, provision for doubtful debts was understated by R31,197,904. This resulted in consumer debtors being overstated by R31,197,904. In addition, prior period receivables were understated due to the revenue of R12,625,900 that was not recognised. Revenue relating to property rates was therefore understated. The error has been adjusted restrospectively.

**Provisions and general expenses**

In the previous year provision for landfill site was understated by R11,448,000. This resulted in the landfill site carrying value being overstated by R11,448,000 and general expenses being understated by R11,448,000. The error has been adjusted restrospectively.

**Property, plant and equipment and depreciation**

In the previous years depreciation and accumulated depreciation were understated by R1,168,909. This error resulted in properrty, plant and equipment being overstated by R1,168,909 and depreciation and operating expenses . The error has since been adjusted restrospectively.

| | 2018<br>R | 2017<br>R |
|---|---|---|

### 51. Irregular expenditure (continued)

**Intangible assets and general expenses**

In the previous year, costs relating to the acquisition of intangible assets (computer software) were not capitalised. This resulted in general expenses being overstated by R1,822,400 and intangible assets being understated by R1,822,400. The error has been adjusted retrospectivley.

**Roads and stormwater assets**

In the current financial year, it was discovered that certain items of roads and stormwater assets were omitted from the fixed asset register. This resulted in roads and storm water assets being understated by R4,084,720. The items were added to the fixed asset register and the error was corrected retrospectively.

**Work in progress**

There were differences between the fixed asset register and the trial balance, which resulted in work in progress being overstated by R3,235,936. The error has been corrected restrospectively.

The following reclassifications adjustment occurred:

### 52. Comparative figures

Certain comparative figures have been reclassified due to the change in the Municipality's Standard Chart of Accounts (MSCOA). In the current year, municipalities were expected to align the chart of accounts to be in line with National Treasury's standard chart of accounts. The change in the chart of accounts resulted in the following changes to the comparative figures:

| | |
|---|---|
| Increase in contracted services | 376,283 |
| Decrease in other expenses | (376,283) |
| Increase in stores and materials | 102,458 |
| Decrease in other expenses | (274,180) |
| Increase in motor vehicles | 171,722 |
| Increase in employee related costs | 1,610,769 |
| Decrease in remuneration of councillors | (1,610,769) |
| **Effect on profit or loss** | **-** |

### 53. Deviations

| | | |
|---|---|---|
| **Incidents** | | |
| Deviations less than R200,000 | 1,617,331 | 18,670 |
| Deviations more than R200,000 | 2,467,257 | 1,101,550 |
| Other | - | 827,713 |
| | **4,084,588** | **1,947,933** |

# Ramotshere Moiloa Local Municipality
Ramotshere Moiloa Local Municipality
## Appendix B
June 2018

## Analysis of property, plant and equipment as at 30 June 2018

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Land and buildings** | | | | | | | | | | | | | | |
| Land (Separate for AFS purposes) | 17,356,150 | - | - | - | - | - | **17,356,150** | - | - | - | - | - | - | 17,356,150 |
| Landfill Sites (Separate for AFS purposes) | 12,488,000 | - | - | - | - | - | **12,488,000** | (2,840,921) | - | - | - | - | (2,840,921) | 9,647,079 |
| Quarries (Separate for AFS purposes) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Buildings (Separate for AFS purposes) | 67,555,049 | - | (1,468,405) | - | - | - | **66,086,644** | (45,376,011) | 910,411 | - | (2,926,739) | - | (47,392,339) | 18,694,305 |
| | **97,399,199** | - | (1,468,405) | - | - | - | **95,930,794** | **(48,216,932)** | **910,411** | - | **(2,926,739)** | - | **(50,233,260)** | **45,697,534** |
| **Infrastructure** | | | | | | | | | | | | | | |
| Roads, Pavements & Bridges | 625,016,998 | - | (4,596,509) | 14,740,519 | - | - | **635,161,008** | (253,818,484) | 2,576,950 | - | - | (16,451,035) | **(267,692,569)** | 367,468,439 |
| Electricity assets | 71,881,283 | - | - | - | - | - | **71,881,283** | (28,986,279) | - | - | - | (1,749,334) | **(30,735,613)** | 41,145,670 |
| Wastewater network | 2,184 | - | - | - | - | - | **2,184** | - | - | - | - | - | - | 2,184 |
| Finance leased assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Servitudes | 13,011,798 | - | - | - | - | - | **13,011,798** | - | - | - | - | - | - | 13,011,798 |
| Dams & Reservoirs | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Water purification | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Reticulation | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Reticulation | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sewerage purification | - | - | - | - | - | - | - | 1,860 | - | - | - | - | 1,860 | 1,860 |
| Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Housing | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Waste Management | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Gas | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other (fibre optic, WIFI infrastructur) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other 1 | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **709,912,263** | - | **(4,596,509)** | **14,740,519** | - | - | **720,056,273** | **(282,802,903)** | **2,576,950** | - | - | **(18,200,369)** | **(298,426,322)** | **421,629,951** |
| **Community Assets** | | | | | | | | | | | | | | |
| Parks & gardens | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Sportsfields and stadium | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Swimming pools | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Community halls | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Libraries | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Recreational facilities | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Clinics | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Museums & art galleries | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | 109,740,491 | 425,000 | - | - | - | - | **110,165,491** | (61,547,341) | - | - | - | - | **(61,547,341)** | 48,618,150 |
| Social rental housing | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Cemeteries | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Fire, safety & emergency | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Security and policing | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Buses | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **109,740,491** | **425,000** | - | - | - | - | **110,165,491** | **(61,547,341)** | - | - | - | - | **(61,547,341)** | **48,618,150** |

# Ramotshere Moiloa Local Municipality
Ramotshere Moiloa Local Municipality
## Appendix B
June 2018

## Analysis of property, plant and equipment as at 30 June 2018

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Heritage assets** | | | | | | | | | | | | | | |
| Buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Specialised vehicles** | | | | | | | | | | | | | | |
| Refuse | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Fire | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Conservancy | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Ambulances | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Buses | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Other assets** | | | | | | | | | | | | | | |
| General vehicles | 12,652,677 | - | - | - | - | - | **12,652,677** | (6,482,991) | - | - | - | (1,833,066) | **(10,316,057)** | 2,336,620 |
| Plant & equipment | 881,555 | 18,600 | - | - | - | - | **900,155** | (686,405) | - | - | - | (109,072) | **(795,477)** | 104,678 |
| Computer Equipment | 2,219,058 | 2,641,163 | - | - | - | - | **4,860,221** | (665,863) | - | - | - | (799,395) | **(1,665,258)** | 3,194,963 |
| Computer Software (part of computer equipment) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Furniture & Fittings | 475,779 | - | - | - | - | - | **475,779** | (340,990) | - | - | - | (63,045) | **(404,035)** | 71,744 |
| Office Equipment | 334,941 | 334,625 | - | - | - | - | **669,566** | (208,407) | - | - | - | (45,419) | **(253,826)** | 415,740 |
| Leased assets | 2,823,539 | - | - | - | - | - | **2,823,539** | (411,766) | - | - | - | - | **(411,766)** | 2,411,773 |
| Abattoirs | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Markets | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Airports | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Security measures | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Civic land and buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other buildings | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other land | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Bins and Containers | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Work in progress | 43,199,721 | 32,575,021 | - | (19,250,239) | 3,114,184 | - | **59,638,687** | 442,040 | - | - | - | - | **442,040** | 60,080,727 |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Assets - Leased | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Surplus Assets - (Investment or Inventory) | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Housing development | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | 5,311,861 | - | - | - | - | - | **5,311,861** | (3,604,342) | - | - | - | - | **(3,604,342)** | 1,707,519 |
| | **67,899,131** | **35,569,409** | - | **(19,250,239)** | **3,114,184** | - | **87,332,485** | **(14,158,724)** | - | - | - | **(2,849,997)** | **(17,008,721)** | **70,323,764** |

# Ramotshere Moiloa Local Municipality
Ramotshere Moiloa Local Municipality
## Appendix B
June 2018

## Analysis of property, plant and equipment as at 30 June 2018

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Other changes, movements Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Total property plant and equipment** | | | | | | | | | | | | | | |
| Land and buildings | 97,399,199 | - | (1,468,405) | - | - | - | **95,930,794** | (48,216,932) | 910,411 | - | (2,926,739) | - | **(50,233,260)** | 45,697,534 |
| Infrastructure | 709,912,263 | - | (4,596,509) | 14,740,519 | - | - | **720,056,273** | (282,802,903) | 2,576,950 | - | - | (18,200,369) | **(298,426,322)** | 421,629,951 |
| Community Assets | 109,740,491 | 425,000 | - | - | - | - | **110,165,491** | (61,547,341) | - | - | - | - | **(61,547,341)** | 48,618,150 |
| Heritage assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Specialised vehicles | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other assets | 67,899,131 | 35,569,409 | - | (19,250,239) | 3,114,184 | - | **87,332,485** | (14,158,724) | - | - | - | (2,849,997) | **(17,008,721)** | 70,323,764 |
| | **984,951,084** | **35,994,409** | **(6,064,914)** | **(4,509,720)** | **3,114,184** | - | **1,013,485,043** | **(406,725,900)** | **3,487,361** | - | **(2,926,739)** | **(21,050,366)** | **(427,215,644)** | **586,269,399** |
| **Agricultural/Biological assets** | | | | | | | | | | | | | | |
| Agricultural | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Biological assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Intangible assets** | | | | | | | | | | | | | | |
| Computers - software & programming | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Investment properties** | | | | | | | | | | | | | | |
| Investment property | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | | | | | | | | | | | | | | |
| Land and buildings | 97,399,199 | - | (1,468,405) | - | - | - | **95,930,794** | (48,216,932) | 910,411 | - | (2,926,739) | - | **(50,233,260)** | 45,697,534 |
| Infrastructure | 709,912,263 | - | (4,596,509) | 14,740,519 | - | - | **720,056,273** | (282,802,903) | 2,576,950 | - | - | (18,200,369) | **(298,426,322)** | 421,629,951 |
| Community Assets | 109,740,491 | 425,000 | - | - | - | - | **110,165,491** | (61,547,341) | - | - | - | - | **(61,547,341)** | 48,618,150 |
| Heritage assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Specialised vehicles | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Other assets | 67,899,131 | 35,569,409 | - | (19,250,239) | 3,114,184 | - | **87,332,485** | (14,158,724) | - | - | - | (2,849,997) | **(17,008,721)** | 70,323,764 |
| Agricultural/Biological assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Intangible assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Investment properties | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | **984,951,084** | **35,994,409** | **(6,064,914)** | **(4,509,720)** | **3,114,184** | - | **1,013,485,043** | **(406,725,900)** | **3,487,361** | - | **(2,926,739)** | **(21,050,366)** | **(427,215,644)** | **586,269,399** |